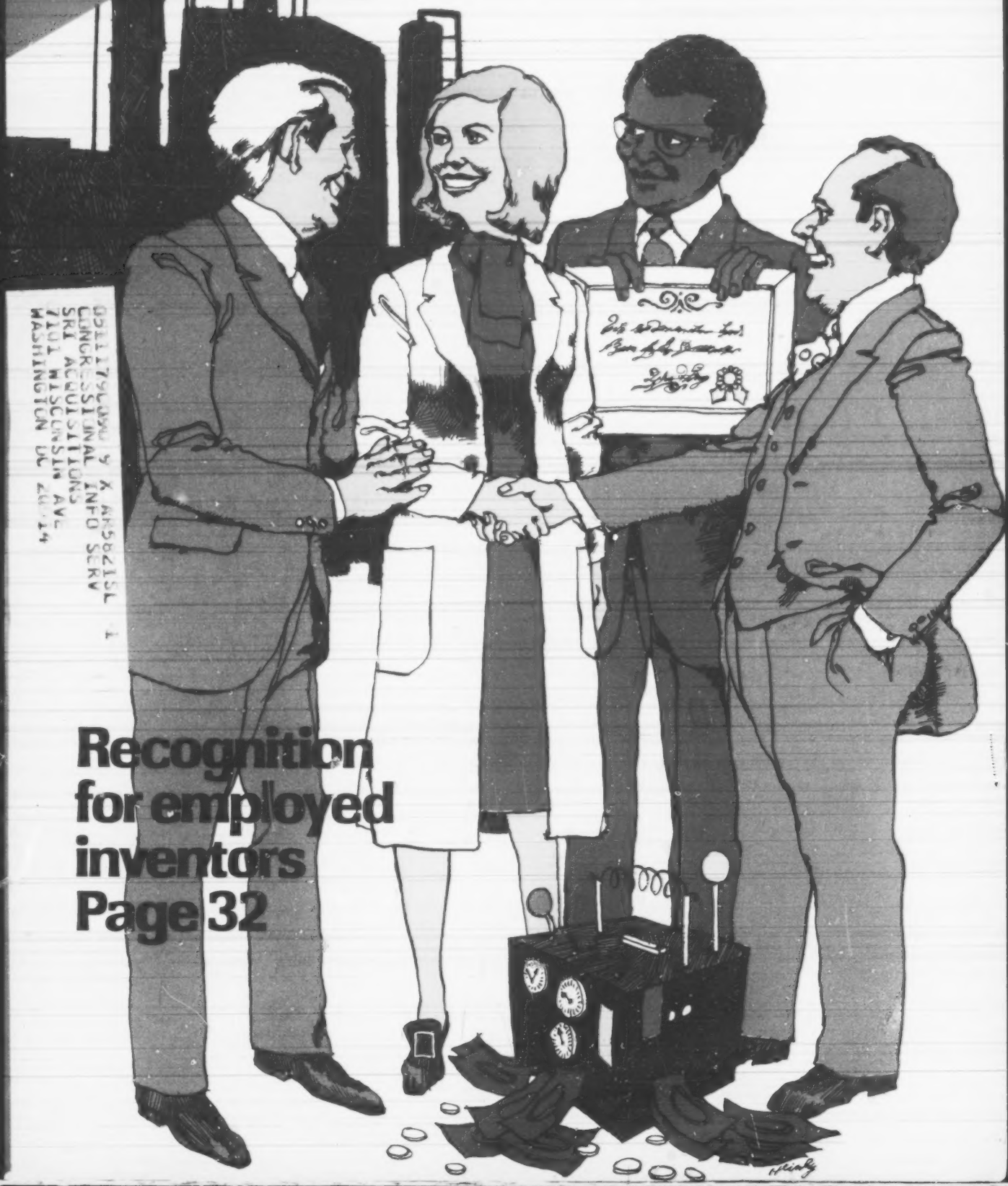
Chemical & Engineering NEWS
May 25, 1981

PRELIMINARY PROGRAM
Second Chemical Congress of the North American Continent
San Francisco Page 43



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Recognition for employed inventors

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- ***Corco's acceptance of a takeover offer*** *by Charter Co. may spell the end of its financial problems.* ***Page 7***
- ***Monsanto shuts down*** *a third of its polyester filament capacity, citing low demand, decreased profitability.* ***Page 7***
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Business

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Government

- ***Panel on science and technology,*** *part of a Presidential commission on issues in the 1980's, is working to define the future role of science in the nation.* ***Page 21***
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Special Report

Whether employed inventors *should receive extra compensation for their creations and, if so, what kinds of rewards are appropriate discussed by both employers and employees.* ***Page 32***

Preliminary Program

- ***Symposia, special events*** *listed for the Second Chemical Congress of the North American Continent, sponsored by ACS and Canadian and Mexican societies.* ***Page 43***

Chemical firms boast strong overseas sales

Foreign sales of 20 U.S. chemical companies surveyed by C&EN rose 29% in 1979, account for nearly a third of their overall sales

William J. Storck
C&EN, New York

For the past year or more U.S. chemical companies have been boasting of the extraordinary successes they have been achieving overseas. Both exports from the U.S. and products produced in their foreign plants have been selling well, they say. With final figures for 1979 now available, it appears the companies have good reason for boasting.

Overseas sales for 20 U.S. chemical companies surveyed by C&EN increased 29% to $20.3 billion in 1979. This is a faster rise than that for total sales for these companies and thus it shows that their foreign business in 1979 grew faster than domestic business. Total sales, both domestic and overseas, grew 22% to $64.4 billion for these companies from 1978. Domestic sales increased only 20% in 1979 from 1978—a respectable figure, but in last year's boom, indicative of some signs of underlying weakness in the domestic economy.

U.S. producers have long used their overseas business to buffer lagging U.S. sales. The recession year of 1975 gives a good example of how the chemical industry can do this. Since the recession did not hit all parts of the world at the same time, U.S. producers, faced with a weak domestic economy, were able to sell their products in stronger foreign economies. During 1975, the 20 U.S. producers surveyed increased their foreign sales 24% while their total revenues stagnated at an 0.1% increase. Meanwhile, their sales in the U.S. in 1975 declined 9.7% from the year before.

The increase in sales abroad last year pulled the foreign sales percentage of total sales for the 20 companies up to 32% in 1979 from 30% the year before. The 1979 figure is the highest since 1975, when foreign sales made up 34% of total revenues for the 20 companies. Foreign sales gains for the 20 have been outperforming total sales gains for the past two years. Besides the 29% increase in 1979, foreign sales grew 19% in 1978 compared to a 12% gain for total sales. This has resulted in an increase in foreign sales as a percentage of the total—moving from 28% in 1977 to 30% in 1978 to 32% last year.

However, it has not been all roses for foreign sales. After their big surge in 1975, foreign sales grew only 6.5% in 1976 and in 1977 they grew at a very lackluster 1.4%.

By far the biggest gainer for 1979, as it had been the year before, of companies surveyed was Allied Chemical, with an increase, spurred by North Sea oil, of 67% in foreign sales. The year before foreign sales at Allied had grown 69%. These two increases are well above Allied's average annual increase since 1973 of just 28% for foreign sales. The increases have pushed foreign sales as a percentage of total sales to 26% at Allied in 1979 from just 15% in 1973.

Dow Chemical, however, was by far the leader in dollar volume of foreign sales. In 1979, Dow racked up $4.67 billion in sales overseas, an increase of 44% from 1978. At the same time Dow pushed its foreign sales as a percentage of the total to 51%, thus buffering the cyclical nature of many of its U.S. businesses. Dow's $4.67 billion in overseas sales was 39% higher than that of the the second-place firm, Du Pont, the number one U.S. chemical company in terms of total sales. Du Pont had $3.36 billion in foreign sales last year, an increase of 31% over the year before and 27% of total sales.

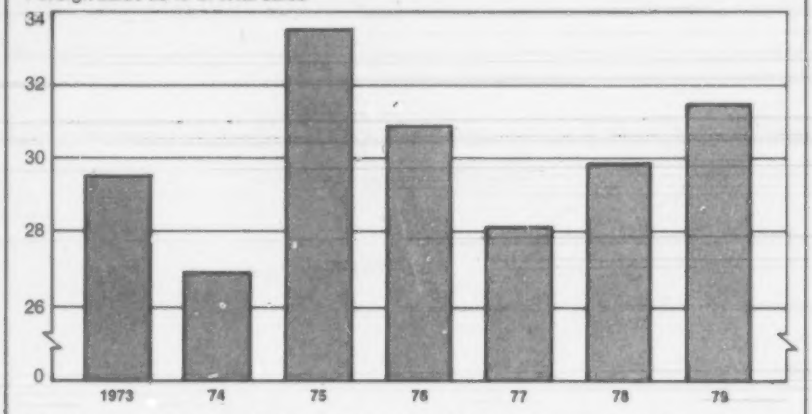
Ferro, which has extensive holdings in South America, was the leader in 1979 in terms of foreign sales as a percentage of total sales at 57%, down slightly from 58% the year before. However, all is not bright in Ferro's overseas business. The company's 1979 annual report says, "Rampant inflation and severe currency devaluations resulted in only a modest contribution from our second largest

Foreign sales growth bests average in past two years

$ Millions	Foreign sales[a] 1979	1978	1977	% change 1978–79	1977–78	Annual change 1973–79
Allied Chemical	$1,103.0	$ 662.0	$ 392.0	66.6%	68.9%	27.7%
American Cyanamid	1,125.3	955.0	799.0	17.8	19.5	15.4
Cabot	286.5	189.7	166.5	51.0	13.9	17.3
Crompton & Knowles	50.6	46.5	28.6	8.8	62.6	12.8
Dow Chemical	4,672.0	3,242.0	2,777.0	44.1	16.7	22.2
Du Pont	3,356.3	2,571.9	2,173.4	30.5	18.3	21.4
Ethyl Corp.	411.8	297.1	247.6	38.6	20.0	25.6
Ferro	338.8	286.6	226.2	18.2	25.6	17.3
B. F. Goodrich	604.9	508.9	446.6	18.9	13.9	4.7
W. R. Grace	1,577.0	1,420.0	1,257.0	11.1	13.0	7.3
Hercules	588.0	433.0	345.3	35.8	25.4	6.3
International Flavors	179.6	244.6	208.9	−26.6	17.1	8.5
Liquid Air	154.6	138.8	127.2	11.4	9.1	11.9
Loctite	68.0	47.9	38.5	42.0	24.4	27.8
Mallinckrodt	55.3	41.0	34.7	34.9	18.2	23.8
Monsanto	1,954.3	1,387.6	1,185.0	40.8	17.1	17.0
Rohm & Haas	561.0	437.0	369.0	28.4	4	12.4
Stauffer Chemical	270.8	213.8	177.5	26.7	20.5	26.5
Union Carbide	2,782.0	2,534.0	2,247.0	9.8	12.8	13.0
Witco	160.2	134.5	116.3	19.0	15.6	14.1
TOTAL	$20,299.6	$15,790.1	$13,265.3	28.6%	19.0%	16.0%

a Foreign sales are exports plus sales of overseas output.

Foreign share of sales peaked in 1975, is moving up again



a Foreign sales are exports plus sales of overseas output. **Note:** For 20 U.S. chemical firms listed in tables.

subsidiary, Ferro Brazil.... Although Latin American markets continued to grow in 1979, net income of the company's Brazilian subsidiary declined approximately $3.3 million, primarily because of substantial cost inflation coupled with government price controls which prevented implementation of timely sales price increases. Brazilian profits also were adversely affected by higher interest expense for borrowed money and the high level of borrowings made to finance 1979 expansions."

The problem of Brazil seems to be continuing for Ferro. In Ferro's first-quarter report, Ferro president and chief executive officer Adolph Posnick again complained about Brazilian price controls. "While price increases are being granted, obtaining such approvals during the first quarter of this year has not kept pace with Brazilian inflation," he stated.

American Cyanamid, as well as other companies operating in Brazil, was hard hit by the devaluation of the Brazilian cruzeiro in 1979.

Other firms with above average foreign sales as a percentage of total sales include American Cyanamid at 35%, International Flavors & Fragrances 44%, Liquid Air and Loctite 42%, and Rohm & Haas 35%.

Most companies increased foreign sales share in 1979

	Foreign sales as % of total sales[a]						
	1979	1978	1977	1976	1975	1974	1973
Allied Chemical	25.5%	20.3%	13.4%	16.1%	17.9%	17.2%	15.3%
American Cyanamid	35.3	34.8	33.1	35.0	40.0	36.0	32.3
Cabot	25.4	26.5	28.6	30.1	33.1	38.7	36.1[b]
Crompton & Knowles	21.1	21.4	14.8	16.2	27.0	27.0	20.0
Dow Chemical	50.5	47.1	44.5	45.6	43.9	47.0	45.8
Du Pont	26.7	24.3	23.0	27.1	27.0	27.6	19.2
Ethyl Corp.	24.5	20.7	19.0	19.9	21.0	14.7	15.0
Ferro	57.2	58.0	54.3	52.0	54.5	52.0	48.9
B. F. Goodrich	20.2	19.6	20.1	26.1	29.4	28.7	27.7
W. R. Grace	29.9	31.9	30.2	34.3	36.6	37.6	36.6
Hercules	25.1	22.2	20.3	19.6	36.7	39.9	35.4
International Flavors	43.9	66.8	66.5	64.0	65.9	62.5	63.4
Liquid Air	41.9	45.6	44.7	47.1	49.3	46.2	44.8
Loctite	42.1	37.5	36.6	36.2	38.5	43.0	41.9
Mallinckrodt	14.1	11.2	11.1	10.8	11.6	10.8	9.6
Monsanto	31.6	27.6	25.8	30.3	29.4	28.6	28.8
Rohm & Haas	35.3	34.9	32.8	37.3	40.7	38.3	35.2
Stauffer Chemical	17.7	16.1	14.4	15.9	13.5	12.3	10.6
Union Carbide	30.3	32.2	31.9	33.0	34.2	34.3	34.0
Witco	16.6	17.9	18.4	18.0	19.2	20.3	19.6
TOTAL	31.5%	29.9%	28.1%	30.9%	33.5%	26.9%	29.5%

a Foreign sales are exports plus sales of overseas output. b C&EN estimate.

In addition to Allied, firms with better than normal growth in overseas sales were Cabot Corp. 51%, Dow Chemical 44%, Du Pont 31%, Ethyl 39%, Hercules 36%, Loctite 42%, Mallinckrodt 35%, and Monsanto 41%.

The only one of the companies surveyed by C&EN whose foreign sales decreased in 1979 was International Flavors and Fragrances. IFF's overseas sales fell 27% to $179.6 million last year. Because of this drop, foreign sales as a percentage of total sales at IFF fell to 44% in 1979 from a noteworthy 67% the year before.

During 1979, unlike the last boom year of 1974, there seems to have been enough excess U.S. capacity that product could be readily produced for export. And, indeed, exports probably made up a large part of the increase in foreign business for U.S. chemical companies. A good example is Union Carbide, which had only a 9.8% gain in total foreign business last year. However, according to the company's annual report, exports were 15% of foreign sales.

What 1980 holds is hard to say so far. In the first quarter foreign sales were still gaining.

At Du Pont's annual meeting, president Edward G. Jefferson reported that international business continued to record strong sales in first-quarter 1980, with gains registered in all geographic areas. Total sales outside the U.S. were $1.2 billion, 28% above last year. "Exports of products manufactured in the U.S. continued strong and accounted for about 45% of our overseas business," Jefferson stated.

At Hercules, president Alexander F. Giacco said, "Internationally, 40% of total company sales [in the first quarter] were from outside the U.S., with more than 50% of profits derived from overseas businesses." This is an improvement over full-year 1979, when overseas sales at Hercules were 25% of total company sales.

Carbide notes that once again foreign sales gains are ahead of domestic gains. At Carbide in the first quarter international sales increased 20% and exports increased 23% compared to the first quarter of 1979. At the same time domestic sales increased 17%.

Monsanto notes that continued strong demand for exports "from our plants in the U.S." is offsetting the softness in those product lines closely related to the auto and housing industries.

If the first-quarter trend holds up, once again U.S. producers may get what they want—buffering of a U.S. recession by stronger economies abroad. However, if the foreign economies begin a downturn soon, all bets are off. □